

A large, stylized globe graphic, identical in design to the one in the logo, is positioned on the right side of the page. It is rendered in a light blue and white color scheme with a 3D effect, appearing to be partially obscured by a semi-transparent blue rectangular area that overlaps it.

SELENA FM GROUP

MANAGEMENT BOARD'S REPORT
ON THE GROUP'S ACTIVITIES
FOR THE 6 MONTHS ENDED 30 JUNE 2019

Wroclaw, 26 September 2019

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1. Financial highlights

Group's financial data

	PLN '000		EUR '000	
	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Net revenue from sales	617,157	580,463	143,927	136,918
Operating profit (loss)	34,642	18,748	8,079	4,422
Profit (loss) before tax	30,790	14,226	7,181	3,356
Profit (loss) after tax	20,721	10,919	4,832	2,576
Profit (loss) after tax attributable to controlling interests	20,628	10,902	4,811	2,572
Comprehensive income	20,048	13,019	4,675	3,071
Comprehensive income attributable to shareholders of the parent	19,963	12,974	4,656	3,060
Net cash flows from operating activities	35,492	-29,477	8,277	-6,953
Net cash flows from investing activities	-6,655	-10,524	-1,552	-2,482
Net cash flows from financing activities	-4,528	31,263	-1,056	7,374
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	0.90	0.48	0.21	0.11
	30 June 2019 (unaudited)	31 December 2018	30 June 2019 (unaudited)	31 December 2018
Total assets	910,404	795,239	214,112	184,939
Non-current liabilities	164,079	132,677	38,589	30,855
Current liabilities	307,229	236,659	72,255	55,037
Equity	439,096	425,903	103,268	99,047
Registered capital	1,142	1,142	269	266

Financial data of the Parent Company

	PLN '000		EUR '000	
	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Net revenue from sales	271,322	228,699	63,275	53,945
Operating profit (loss)	-5,268	-7,488	-1,229	-1,766
Profit (loss) before tax	30,492	24,625	7,111	5,808
Profit (loss) after tax	29,441	25,093	6,866	5,919
Comprehensive income	29,441	25,093	6,866	5,919
Net cash flows from operating activities	-1,498	-61,991	-349	-14,622
Net cash flows from investing activities	32,115	9,363	7,490	2,209
Net cash flows from financing activities	-14,193	43,442	-3,310	10,247
Number of shares	22,834,000	22,834,000	22,834,000	22,834,000
Earnings per ordinary share (PLN/share) /EUR/share)	1.29	1.10	0.30	0.26
	30 June 2019 (unaudited)	31 December 2018	30 June 2019 (unaudited)	31 December 2018
Total assets	542,565	491,565	127,602	114,317
Liabilities	213,136	184,727	50,126	42,960
Equity	329,429	306,838	77,476	71,358
Registered capital	1,142	1,142	269	266

2. Information about the Group

2.1 Group's activities

Selena FM is an international producer and distributor of construction chemicals. The Group's Parent is Selena FM S.A. of Wrocław, which on 18 April 2008 debuted on the main market of the Warsaw Stock Exchange.

The core business of the Group includes production, distribution and sale of construction chemicals and general building accessories. The Group's product range includes:

- Polyurethane mounting foams and foam adhesives
- Construction sealants (silicones, acrylic products)
- Construction and mounting adhesives
- Roofing membranes and shingles
- Bituminous masses
- Thermo-reflexive roof coating
- Building insulation systems
- Adhesives and joint fillers for ceramic tiles
- Application equipment
- Wood preservatives
- Agents for roofs and walls
- Foils and membranes.

The products on offer include both solutions addressed to professionals and to individual users. The Group's leading brands include Tytan, Quilosa, Artelit and Matizol.

The Group's production plants are located in Poland, Brazil, China, Romania, Turkey, Spain and Kazakhstan and its products are available in the markets of more than 70 countries in the world. The Group also carries on R&D activity in Poland, Spain, Turkey and China. The Group also has an associated company, Hamil-Selena Co. Ltd, in South Korea and a joint venture House Selena Company Ltd. in China.

2.2 Parent Company

The core business of Selena FM S.A. is distribution of the Group's products into foreign markets, and provision of advice to its subsidiaries with regard to strategic management, finance management, sales strategy and maintenance of accounting books for customers.

2.3 Management Board of the Parent Company

As at 31 December 2018, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – acting Management Board President
- Elżbieta Korczyńska – Management Board Member, CFO

Changes in the Management Board in 2019:

On 7 January 2019, the following persons were appointed to the Management Board of Selena FM S.A.:

- Dariusz Ciesielski, who was appointed Vice President of the Management Board for Sales, and
- Bogusław Mieszczak, who was appointed Management Board Member for Operations.

On 1 March 2019, the following persons were appointed to the Management Board of Selena FM S.A.:

- Krzysztof Domarecki, who was appointed President of the Management Board and
- Christian Dölle, who was appointed Vice President of the Management Board for Marketing.

On 24 June 2019, Elżbieta Korczyńska resigned as Management Board member effective from 30 June 2019.

As at 30 June 2019, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President
- Dariusz Ciesielski – Vice President for Sales
- Christian Dölle – Vice President for Marketing
- Bogusław Mieszczak – Management Board Member for Operations

On 24 June 2019, the Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Company's Management Board as Chief Financial Officer. The appointment became effective as of 1 July 2019.

By the date of publication of this report, no other changes took place in the composition of the Management Board of the parent company.

2.4 Supervisory Board of the Parent Company

As at 31 December 2018, the Supervisory Board of the Parent Company was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

Changes in the Supervisory Board composition in 2019:

On 28 February 2019, Krzysztof Domarecki resigned from the Supervisory Board and from the role of the Chairman of the Supervisory Board effective from 28 February 2019.

On the same day, the Extraordinary General Meeting of Shareholders nominated Andrzej Krämer, Supervisory Board member, as the Chairman of the Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

On 27 May 2019, the Annual General Meeting of Shareholders of Selena FM S.A. appointed Łukasz Dziekan to the Supervisory Board.

As at 30 June 2019, the Supervisory Board of the Parent Company was composed of:

- Andrzej Krämer – Chairman of the Supervisory Board
- Borysław Czyżak – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member
- Czesław Domarecki – Supervisory Board Member
- Łukasz Dziekan – Supervisory Board Member

By the date of publication of this report, no changes took place in the Supervisory Board's composition.

2.5 Audit Committee, Strategy and Innovation Committee, Nominations and Remuneration Committee

As at 31 December 2018, the Parent Company's Audit Committee was composed of:

- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – Audit Committee Member.

Changes in the Audit Committee composition in 2019:

Since 1 March 2019, the Audit Committee has consisted of:

- Mariusz Warych – Chairman of the Audit Committee
- Andrzej Krämer – Audit Committee Member
- Marlena Łubieszko-Siewruk – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight.

By the date of publication of this report, no changes took place in the the Audit Committee's composition.

As at 31 December 2018, the Strategy and Innovation Committee was composed of:

- Andrzej Krämer – Chairman of the Strategy and Innovation Committee
- Borysław Czyżak – member of the Strategy and Innovation Committee.

In 2019 and until the date of publication of this report no changes took place in the Strategy and Innovation Committee's composition.

As at 31 December 2018, the Nominations and Remuneration Committee was composed of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee
- Marlena Łubieszko-Siewruk – member of the Nominations and Remunerations. Committee

In 2019 and until the date of publication of this report, no changes took place in the Nominations and Remuneration Committee's composition.

2.6 Group structure

A detailed geographic and ownership structure, and division into geographic segments were described in the interim condensed consolidated financial statements of the Group for the year ended 30 June 2019 (Note 1.6). Detailed description of changes in the Group structure in the first half of 2019 is presented in Note 1.7 to the condensed consolidated financial statements of the Group.

3. Material developments in the reporting period

3.1 Group promotion

Selena Italia organises a sales force meeting – 10–11 January 2019

Selena Italia organised a national sales force meeting, during which it showcased new and flagship products with characteristic features that help them stand out in the market. The meeting took place in Bologna.

Selena S.A. participates in the Competition Judging Panel – 11 January 2019

Meeting of the Judging Panel of the 4YoungEngineers Competition – Selena S.A. participated in the Judging Panel's kick-off meeting as a Strategic Partner of the nationwide Young Engineers Programme.

Selena S.A. awarded as the Construction Company of 2018 – 24 January 2019

For the seventh time, Selena S.A. received an award for the Construction Company of the Year. At the same time, Andrzej Ulfig, the CEO of Selena S.A., was honoured with the Personality of the Year title, which is awarded to the most effective managers in the industry. The awards were granted by the Judging Panel chaired by prof. Leonard Runkiewicz. In addition to trading performance, the award criteria included innovativeness of the products and services offered, reliability and stability of the business and achievements vs. competitors.

Selena Vostok strengthens technical support (January–March 2019)

Selena Vostok strengthened its technical and educational support department and conducted hands-on product workshops. On 7–9 February, Selena Vostok took part in the conference: "Master of finishing work as a business owner: risk, typical problems, increase in the company's financial efficiency" (Kirovsk, Saint Petersburg region).

Training for builders – January 2019

Selena Vostok took part in a hands-on training during which it presented TYTAN Professional products: Professional foam adhesive TYTAN for cardboard and TYTAN Professional 60 SECONDS. The training was attended by many specialists from construction companies, who found the information provided as helpful and useful.

Selena S.A. participates in the BUDMA fair – 12–15 February 2019

Selena S.A. participated in the BUDMA Fair in Poznań. Selena took part in the construction fair and supported the organisation of the event of the Polish Roofers Association.

Selena S.A. participated in the BricoMarche Fair – 16–17 February 2019

Selena S.A. participated as an exhibitor in the 3rd III BricoMarche "Building Materials, DIY, Decoration" fair in Poznań, with presentations arranged at its stand. The event is an opportunity to gain new business contacts as well as to familiarise customers with Selena's product novelties.

Selena Iberia: meeting with Leroy Merlin – 20 February 2019

Selena Iberia introduced three barrier systems for window installation to employees of the Leroy Merlin chain in Madrid. Each year, Leroy installs over 700,000 windows, and Selena helps installers improve the fitting process by means of Selena's products and systems.

Selena Iberia takes part in EXPOCADENA – 22–23 February 2019

Selena Iberia took part in EXPOCADENA private exhibition, where Selena debuted such products as: Power Fix, Aquaprotect and FOAD. 1300 participants took part in the show.

Selena Labs attends a seminar on 28 February 2019

Selena Labs participated in a seminar as part of the InnoPeer AVM project aimed at raising the awareness of SMEs in the region with respect to changes taking place in the economy. The seminar dealt with issues related to the implementation of the Agile Stage Gate model in the new product development (NPD) process at Selena, as well as the impact on innovation and challenges faced by R&D.

Selena FM S.A. and Selena S.A. participate in 4YoungEngineers – 5 March 2019

Selena FM S.A. and Selena S.A. participated in the Young Engineer Days in Warsaw, an event organised as part of 4YoungEngineers. During the event, one of the top Selena products was promoted – the innovative, highly reflective COOL-R coating.

Selena Italia participates in the BigMarket 2019 Fair – 8–9 March 2019

The annual fair in Florence is dedicated to a group of members of BigMat, an international firm selling building materials. During this fair, all group members meet with their suppliers, placing commercial offers and presenting new products.

Selena S.A. organises training – March 2019

Selena S.A. organized product training in cooperation with the Association of Finishing Works Specialists. During the training, Selena S.A. presented practical demonstrations of its new products on offer.

Reward for Selena S.A. – 21 March 2019

Selena S.A. won TopBuilder awards for 4 Tytan Professional products: Fix2 GT, Aquaprotect and P70 Ultra Foams foam adhesive for plasterboards, and participated in the Award Gala in Warsaw. Representatives of Selena S.A. received awards for 4 Tytan Professional products.

Selena Iberia – participation in FIGAN fair – 19–22 March 2019

Selena Iberia took part in the biggest industry event: FIGAN in Saragossa – International Animal Production Show. FIGAN's main theme was sustainable breeding and welfare of farmed animals. Selena Iberia supported one of its key clients who built façades using the COOL-R solution.

Selena Turkey – participation in an event for the insulation industry organised by the Insulation Industry Achievement Awards (YSBÖ)

Participation by the Turkish company in the competition for the insulation industry was an opportunity to start a promotional campaign for the Tytan Professional Thermo Spray Acoustic PU. By participating in the event, Selena promoted the new solution among the market leaders and experts.

Opening of Selena Labs – 2 April 2019

On 2 April 2019, the company opened its main laboratory centre in the city of Dzierżoniów, in the Wałbrzych Special Economic Zone "INVEST-PARK". With a value of PLN 8 million and usable area of more than 4,000 m², the project will significantly increase the company's ability to develop and put on global markets construction chemicals with unique parameters.

The opening ceremony was attended by representatives of central government and local authorities, WSEZ authorities as well as representatives of EU institutions and universities.

Medal of Poland's 100th Independence Anniversary – 8 May 2019

Krzysztof Domarecki was awarded by the Prime Minister of Poland Mateusz Morawiecki with the Medal of Poland's 100th Independence Anniversary in recognition of his contribution to the Polish economy. The medal, awarded as part of the celebrations marking the anniversary of Poland regaining its independence, goes to the individuals who have contributed to building civic community and the country's economic well-being.

Selena Iberia – participation in the Tektonica trade fair in Portugal – 8-11 May 2019

Selena Iberia participated in the largest industry event in Portugal – Tektonika, where it established new business contacts. At its stand, Selena Iberia presented new products and application systems to visitors of the show in Lisbon.

Selena Iberia took part in the Construmat construction fair – 16 May 2019

Selena Iberia took part in the largest construction fair in Barcelona – Construmat. The fair is devoted to innovation, new materials and new technologies. For Selena Iberia, the event is primarily a networking platform, but it also allows it to observe new trends in the construction market.

“Jedynka Gazety Wyborczej” award – 16 May 2019

On 16 May, Selena Group was awarded at the conference “30th anniversary of economic transformation of Lower Silesia” in Wrocław.

The award granted by the “Jedynka Gazety Wyborczej” news service to the “30th Anniversary Companies chosen by Gazeta Wyborcza” for significant contribution to the region’s development was received on behalf of Selena by Andrzej Zygadlo, Global Head of HR of Selena Group. Selena was also a conference partner and participated as a speaker in the panel titled “The role and impact of business on the development of Lower Silesia over the last 30 years”. The purpose of the conference was to demonstrate the changes that the region had seen over thirty years and to outline possible developments in the years to come.

Selena S.A. supports young architects and engineers – 17 June 2019

Selena S.A. once again supported young, talented architects and engineers. As a strategic partner for the 2018/2019 edition of the Builder For The Future project, attended by 10,000 people, Selena provides education on new technologies used in construction. Selena has made available its innovative solutions: COOL-R, the highly reflective roof coating and the specialist waterproof Tack-R membrane. Participating in the event were also other companies from the construction industry and Polish universities, including: The Wrocław, Gdański and Kraków Universities of Technology.

COOL-R receives the EPD and GREEN CARD

COOL-R, the innovative product of Selena FM S.A. obtained the International Product Declaration (EPD) from the Building Research Institute, and the GREEN CARD from DEKRA, the certification company. In addition, COOL-R also received Type II declaration in accordance with ISO 14012, which confirms reduction of electricity consumption, and obtained the ITB EKO label. COOL-R is a highly reflective, waterproofing roof coating, reducing temperature of the roof by as much as 70%, so the temperature inside the building can be lowered by a significant 10°C, which affects a number of factors: creates better work conditions, increases work comfort in the rooms under the coating as well as decreases operating costs of buildings and reduces their energy consumption.

Selena Italia develops cooperation with the BIG MAT network – June 2019

Meetings with purchasing managers and owners were arranged at more than 30 BIG MAT sales points. During the meetings, technical advisors present the capabilities of the products. The purpose of the meetings is to raise awareness of the brand and its technological advantages, and to establish lasting cooperation with a network of Italian DIY stores.

Selena Iberia – a cycle of training sessions with users - June 2019

In San Sebastian, Selena Iberia organised a COOL-R product and application training course for 120 users. In Madrid, Selena Iberia conducted a training course for 60 window and facade fitters. The training was related to new requirements and expectations of the sector.

Selena Kazakhstan – participation in the “The Best Kazakhstan Product of 2019” competition/ exhibition – June 2019

Selena Kazakhstan participated in the competition/ exhibition titled “The Best Kazakhstan Product of 2019”, which took place in Nur Sultan, in the “Astana” concert hall in June 2019. It was attended by about a hundred metropolitan companies, including our two Kazakh companies – Selena Insulations and Selena Kazakhstan.

ECC Roadshow after Kazakhstan – Q2

Selena Kazakhstan continued a series of meetings with end users (an estimated group of over 700 builders). Training courses were prepared by the ECC team and technical advisors. During the meetings, product systems and application fields for Selena's products were discussed.

Selena Kazakhstan takes part in master classes organised by its partner NET “Komfort”

Selena's constant participation in master classes organised by its large partner NET “Komfort” enabled a meeting with end users in all ECC, I&D and W&D units. It was also an opportunity to speak from a brand perspective and meet strategically important end users.

Kazakhstan roadshow with the Ultra Fast 70 foam – Q2

Selena CA organised 17 events throughout the country, presenting properties of its new product: Selena Ultra Fast 70 foam. These events allowed Selena CA to reach over 700 end users. With this initiative, Selena successfully implemented the Ultra Fast 70 foam on the local market.

3.1.1 Research and new products in the portfolio

The Group's R&D activity is carried out chiefly by Selena Labs Sp. z o.o. and through the labs in China, Spain, Turkey and Italy.

During the first half of 2019, Selena Labs Sp. z o.o. worked on development of the highly reflective waterproofing COOL-R roof coating, polyurethanes, silicones, acrylic-polyurethane hybrids, foam adhesives from the US market and new applications for window assembly systems based on the Ultra Fast 70 foam and coatings with properties oriented on water vapour permeability. Work is also under way on new waterproofing products based on cement and polymer binders.

Laboratory work was completed on a transparent hybrid adhesive with strong initial grip. The product is used for bonding ceramic tiles, stone and wooden elements on walls.

Selena also completed work on a new line of polyurethane sealants manufactured in its plant in Spain. New formulations were implemented for loose products at the Kazakh and Romanian plants.

To ensure compliance with the EU requirements, work was started on replacement of biocides to protect packaged products. The work will be completed in September.

A water-based acrylic sealant was developed that can replace silicone sealants in sanitary applications.

Selena developed and put into production a new product line based on bitumen emulsions. Selena launched production of a thick-layer waterproofing compound based on bitumen emulsion. Work is under way to optimise production and formulations at the plant in Chelmża, related to new bituminous, waterproofing water-based emulsions.

In the first and the second quarter of 2019, Selena Labs also continued work under the HORIZON 2020 – EENSULATE and BIOMOTIVE projects. As part of EENSULATE, work was finalised on the PIR foam with better fire-resistant and thermal

insulation properties and limited smoke during combustion. Preparations are being made to insulate a demo building using PIR foams. In the second project, conceptual work was started on the design of production lines for the production of polyester, prepolymers and TPU. Development was started of construction chemicals based on polymers (including biopolyesters) obtained as a result of the project.

Foam adhesives and aerosol applications are developed. Work has started on products based on raw materials from biorenewable sources that have a positive impact on the natural environment. All the products and systems are certified, taking into account not only the minimum requirements, such as those related to the CE mark, but also keeping in mind the expectations of end users, e.g. in terms of LEED certification or other ECO-Label marks.

3.2 Investments

In H1 2019, the biggest portion of capital expenditures was spent on modernisation initiatives in Selena Iberia in Spain and in companies in Poland: Matizol and Orion PU. Capital expenditures were continued at Selena Insulations. They are related to upgrades that improve production efficiency.

3.3 Significant events occurring after the balance sheet date

3.3.1 Acquisition of control over Uniflex S.p.A

On 24 June 2019, Selena FM S.A. received a notification from minority shareholders of Uniflex S.p.A. i.e., Franco Berlanda and Primaldo Paglialongi on the exercise of the put options by the above individuals, who had the right to acquire 20.25% and 15.75% of shares, respectively, in the share capital of Uniflex S.p.A. The right to sell Uniflex S.p.A. shares was given to minority shareholders in accordance with the shareholder agreement of 29 March 2017. On the basis of the above agreement, after receiving the notifications, Selena FM S.A. was required to purchase:

- 1) from Franco Berlanda: his 60,750 shares in the share capital of Uniflex S.p.A.
- 2) from Primaldo Paglialongi: his 47,250 shares in the share capital of Uniflex S.p.A.

On 4 July 2019, Selena FM S.A. acquired 108,000 shares for PLN 936 thousand EUR, representing 36% of the share capital of Uniflex S.p.A. Thus, Selena FM S.A. became the sole shareholder of Uniflex S.p.A. (100% shares in the share capital).

The share purchase transaction had no impact on the consolidated financial statements, because both the interim condensed consolidated financial statements for H1 2019 and the consolidated financial statements for 2018 and 2017 were prepared on the assumption that Selena FM S.A. acquired 100% shares of Uniflex S.p.A. as a result of recognising the obligation to buy back shares from minority shareholders as at the date of the company's acquisition (March 2017).

3.3.2 Increasing the share capital of Selena Ukraine Ltd.

On 15 July 2019, the General Meeting of Selena Ukraine Ltd. adopted a resolution to increase the share capital of UAH 21 million. The cash contribution was made in three tranches on 26 July 2019 (EUR 400 thousand), on 29 July 2019 (EUR 7.2 thousand) and on 7 August 2019 (EUR 317 thousand). After the capital increase, no changes took place in the shareholding of Selena FM S.A. and Selena S.A. in the company's share capital.

3.3.3 Extension of the loan agreement with ROSBANK

On 15 July 2019, the subsidiary Selena Vostok signed an annex to the loan agreement of 15 August 2018 (item 5 in the list – Note 15). The annex extends the loan availability period to 30 June 2020. Other significant terms of the loan granted remain unchanged.

3.3.4 Provision of a guarantee by Selena FM S.A.

After Selena Vostok OOO had signed an annex to the loan agreement and the credit period had been extended, on 1 August 2019, the Parent Company issued a new corporate guarantee to secure the Bank's receivables under the above loan agreement. The guarantee amount is RUB 350 million. The Guarantee will remain in force until 15 July 2020.

4. Financial position

4.1 Financial performance

The tables below show selected items of the consolidated income statement for the 6 months and 3 months ended 30 June 2019 and 30 June 2018, respectively, as well as selected financial ratios.

Figures in PLN thousand	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change	Change %
Revenue from sales	617,157	580,463	36,694	6.3%
Cost of sales	422,086	413,306	8,780	2.1%
Gross profit	195,071	167,157	27,914	16.7%
Selling and marketing costs	102,675	94,436	8,239	8.7%
General and administrative expenses	52,566	49,673	2,893	5.8%
Other operating profit (loss)	-2,379	-2,534	155	-
Impairment loss on financial assets	2,809	1,766	1,043	-
EBITDA (operating profit + depreciation + amortisation)	53,500	32,603	20,897	64.1%
Operating profit (EBIT)	34,642	18,748	15,894	84.8%
Net financial income (loss)	-4,322	-4,981	659	-
Share in net profit/loss of the associate	470	459	11	-
Profit (loss) before tax	30,790	14,226	16,564	-
Profit (loss) after tax	20,721	10,919	9,802	-
Other net comprehensive income	-673	2,100	-2,773	-
Total comprehensive income	20,048	13,019	7,029	-

			Change in p.p.
Gross profit margin	31.6%	28.8%	2.8
Selling costs/ revenue from sales	16.6%	16.3%	0.4
General and administrative expenses/ revenue from sales	8.5%	8.6%	0.0
EBITDA margin %	8.7%	5.6%	3.1
Operating profit margin (EBIT%)	5.6%	3.2%	2.4
Net profit margin	3.4%	1.9%	1.5

EBIT % – operating profit/ revenue from sales

EBITDA % - EBITDA/ sales

	3 months ended June 2019 (unaudited)	30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	Change	Change %
Figures in PLN thousand					
Revenue from sales		346,073	332,277	13,796	4.2%
Cost of sales		235,746	236,458	-712	-0.3%
Gross profit		110,327	95,819	14,508	15.1%
Selling and marketing costs		53,566	50,240	3,326	6.6%
General and administrative expenses		28,150	24,755	3,395	13.7%
Other operating profit (loss)		-2,971	-2,251	-720	-
Impairment loss on financial assets		1,173	563	610	
EBITDA (operating profit + depreciation + amortisation)		34,189	25,018	9,171	36.7%
Operating profit (EBIT)		24,467	18,010	6,457	35.9%
Net financial income (loss)		-3,245	-596	-2,649	-
Share in net profit/loss of the associate		470	459	11	-
Profit (loss) before tax		21,692	17,873	3,819	-
Profit (loss) after tax		14,632	15,095	-463	-
Other net comprehensive income		-1,507	1,841	-3,348	-
Total comprehensive income		13,125	16,936	-3,811	-

			Change in p.p.
Gross profit margin	31.9%	28.8%	3.0
Selling costs/ revenue from sales	15.5%	15.1%	0.4
General and administrative expenses/ revenue from sales	8.1%	7.5%	0.7
EBITDA margin %	9.9%	7.5%	2.3
Operating profit margin (EBIT%)	7.1%	5.4%	1.6
Net profit margin	4.2%	4.5%	-0.3

EBIT % - operating profit/ revenue from sales

EBITDA % - EBITDA/ sales

Revenue from sales

In H1 2019, the Group's consolidated revenue from sales amounted to PLN 617.2 million, which is by PLN 6.3% (PLN 36.7 million) higher than in the corresponding period of the previous year.

The growth of the revenue from sales over the six months of 2019 was mainly driven by an increase in sales to European countries, as a result of organic growth of transactions in all product groups (mainly sealants, foams and construction chemicals).

The sales of Selena Group are presented by three (reporting) geographical segments: the European Union (including Poland), Eastern Europe and Asia (including Russia and China), and North and South America (USA and Brazil). In H1, the sales structure by segments has not changed significantly compared with the same period last year. European Union remains the key segment. In Q1 2019, it generated 66% of the Group's total sales. Geographic segments maintained their respective percentage shares of revenue from sales.

Segment	Segment's share in the Group's revenues				Change 2019 / 2018
	6 months ended 2019 (unaudited)	30 June	6 months ended 2018 (unaudited)	30 June	
European Union, including:	66%		66%	6%	
<i>Poland</i>		36%		36%	6%
<i>Other countries</i>		30%		30%	6%
Eastern Europe and Asia	28%		28%	7%	
N&S America	6%		6%	7%	

Gross profit on sales

In H1 2019, Selena Group generated gross profit of PLN 195.1 million, i.e. PLN 27.9m more year-on-year.

Gross profit margin was 31.6%, i.e. up 2.8 p.p. on last year. This increase resulted from a fall in commodity prices and a partial stabilisation of prices of other commodities. The margin also benefited from a constant increase in the share of sales of innovative products with a higher margin as well as from optimisation of product formulations. Like in the first quarter, in the whole half-year, the margin was negatively affected by an increase in production costs caused by salary increases driven by the situation on the labour market as well as by higher electricity costs.

Selling costs and general and administrative expenses

Selling costs in H1 2019 were PLN 102.7 million, up PLN 8.2 million (8.7%) year-on-year. The figure was significantly affected by the continued increase in the cost of transport services and the situation in the labour market.

Over the six months of 2019, **general and administrative expenses** were PLN 52.6 million. They increased by PLN 2.9 million year-on-year. The increase in general and administrative expenses results from extra appointments to the Parent Company's Management Board, development of a new organisational structure and hiring necessary personnel.

Operating profit (loss)

In H1 2019, the Group generated operating profit of PLN 34.6 million versus PLN 18.0 million in the corresponding period of the previous year.

The result on other operations was negative at PLN -5.2 million, taking into account the impairment loss in respect of financial assets. The loss on other operations was affected by impairment allowances on receivables, less reversed allowances (PLN 2.8 million), impairment allowances for inventory, cost of liquidation of stocks and inventory shortages, less reversed allowances for the value of stocks and stock-taking overages (PLN 2.0 million in total). The result on other operations was also positively influenced by subsidies received (PLN 0.9 million).

Profit (loss) after tax

In H1 2019, Selena Group achieved net profit of PLN 20.7 million compared with PLN 10.9 million posted in the corresponding period of 2018. The Group's net result was primarily influenced by the net financial income, including by valuation of open currency positions (trading settlements and loans received/granted) and interest expense. The positive balance of FX differences was PLN 0.04 million vs. an FX loss of 0.5 million in H1 2018. The cost of interest on loans and leases totalled PLN 2.7 million net (after reduction by the achieved interest income from bank deposits) compared with PLN 3.3 million incurred in the corresponding period of 2018.

For H1 2019, the income tax charge was PLN 10.1 million.

After the six months of 2019, EBITDA was PLN 53.5 million (including depreciation: PLN 18.9 million), which was by PLN 20.9 million higher year-on-year.

4.2 Asset and financial position

The table below shows selected figures of the consolidated statement of financial position as at 30 June 2019 and 31 December 2018.

Figures in PLN thousand	30 June 2019 (unaudited)	31 December 2018	Change	Change %
Non-current assets	315,469	302,720	12,749	4%
Property, plant and equipment	225,082	211,586	13,496	6%
Intangible fixed assets	55,439	55,548	-109	0%
Other long-term assets	34,948	35,586	-638	-2%
Current assets	594,935	492,519	102,416	21%
Inventories	200,181	180,916	19,265	11%
Trade receivables	278,420	217,910	60,510	28%
Cash	69,832	45,501	24,331	53%
Other current assets	46,502	48,192	-1,690	-4%
Equity	439,096	425,903	13,193	3%
Liabilities	471,308	369,336	101,972	28%
Bank and other loans	153,344	142,492	10,852	8%
Trade liabilities	183,557	132,116	51,441	39%
Other liabilities	134,407	94,728	39,679	42%
	30 June 2019 (unaudited)	31 December 2018		
Current liquidity	1.9	2.1		
Quick liquidity	1.3	1.3		
Debt ratio	52%	46%		

Current liquidity – current assets / current liabilities

Quick liquidity – current assets less stocks / current liabilities

As at 30 June 2019, the Group's asset position, with an increase in total assets of PLN 115.2 million vs. 31 December 2018, was affected by seasonality, resulting in an increase in net current assets (inventories, receivables, liabilities). As at 30 June 2019, the increase in the balance sheet total as compared to 31 December 2018 was also affected by implementation of IFRS 16 Leases (+PLN 20 million).

As at 30 June 2019, the current and quick liquidity ratios (1.9 and 1.3 respectively) point to the Group's ability to meet its obligations in a timely manner.

4.3 Debt

Figures in PLN thousand	30 June 2019 (unaudited)	31 December 2018
Interest bearing borrowings	153,344	142,492
Other financial liabilities	42,927	22,422
Less cash and cash equivalents	-69,832	-45,501
Net debt	126,439	119,413
Equity attributable to the shareholders of the parent	438,459	425,346
Equity and net debt	564,898	544,759
EBITDA for the last 4 quarters	101,153	80,256
Gearing (net debt / equity + net debt)	22%	22%
Debt ratio (liabilities / total assets)	52%	46%
Net debt / EBITDA*	1.25	1.49

* debt as at the balance sheet date; EBITDA for the last 4 quarters

As part of capital management, the Management Board monitors the net debt level by means of the gearing ratio, which is calculated as net debt to total equity + net debt. Net debt includes interest-bearing loans and other interest-bearing financial

liabilities, decreased by cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent. The Group aims to maintain the ratio in the 20-40% range.

The increase in net debt as at 30 June 2019 as compared to 31 December 2018 results mainly from the increase in lease liabilities due to adoption of IFRS 16 as of 1 January 2019.

As at 30 June 2019, the debt ratio amounted to 52% and was 5 pp higher than at the end of 2018. Net debt to EBITDA decreased to 1.18 from 1.49 as at 31 December 2018. The decrease was mainly caused by an increase in the EBITDA level with a relatively low increase in net debt. As at 30 June 2019, the ratio was lower than required by the lenders.

4.4 Cash flows

The tables below show selected items of the consolidated statement of cash flows for the six months ended 30 June 2019 and 30 June 2018, respectively.

Figures in PLN thousand	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)	Change
Net cash flows from operating activities	35,492	-29,477	64,969
Net cash flows from investing activities	-6,655	-10,524	3,869
Net cash flows from financing activities	-4,528	31,263	-35,791
Change in cash and cash equivalents:	24,309	-8,738	33,047

In H1 2019, net cash flows were PLN 24.3 million.

Operating cash flows were PLN 35.5 million, up PLN 65.0 million on the corresponding period of 2018. Changes in net current assets were as follows: receivables (PLN -59.8 million), inventories (PLN -19.9 million) and liabilities (PLN 67.6 million). The change of PLN -12.1 million in net current assets in H1 2019 (compared to the change of PLN -60.8 million in H1 2018) was mainly due to higher sales coupled with an improved receivables turnover (+6 days) and inventory level optimization (turnover shorter by 11 days).

Net cash flows from investing activities were negative at PLN -6.7 million and investment expenses were down PLN 3.9 million year-on-year.

In H1 2019, net cash inflows from financing activity were PLN -4.5 million. This figure was mainly affected by the bank loans (PLN 60.0 million) obtained to fund working capital requirements and investments, repayment of bank and other loans (PLN -48.5 million), lease payments (-PLN 6.9 million), dividends paid to owners (PLN -6.8 million) and interest paid (PLN -2.3 million).

4.5 Seasonality of activities

The building materials industry in which Selena Group operates is characterised by seasonality of sales. Lower activity is seen in the winter and early spring months, while in the subsequent quarters sales increase to usually peak in the third quarter. Looking at the figures for 2017–2018, one may conclude that sales in individual quarters have the following contribution to the total annual sales: Q1 – 18%, Q2 - 27%, Q3 - 30%, Q4 - 25%. Seasonal fluctuations of sales are primarily affected by the weather and fluctuations in sales in the individual geographies where the Group operates.

4.6 Delivery of forecasts

The Selena Group did not publish any performance forecast for 2019.

4.7 Factors that will affect financial performance in the next quarter

The key factors that in the Management Board's opinion may affect the Group's performance in the following periods are described below.

The macroeconomic situation in Poland and world-wide. The forecast of the European Commission published on 10 July 2019 shows that the global economy is expected to see GDP growth of 4.4% this year and also 3.6% in 2020. Most importantly, EU Member States are expected to observe a growth of 1.4% and 1.6%, respectively. As regards the key markets of Selena Group in the euro zone, it is important to note good but declining forecasts for the Spanish economy: 2.3% in 2019 and 1.9% of GDP in 2020 as well as Italy +0.1% and +0.7% respectively. Positive GDP growth is also expected in the other European geographies of Selena Group: Romania +4.0% in 2019 and 3.7% in 2020, Hungary +4.4% and 2.8%, Czech Republic +2.6% and 2.5%, Bulgaria +3.3% and 3.4%. For the other markets of the Selena Group, the forecasts of the International Monetary Fund of 23 July 2019 point to a GDP growth in 2019 and 2020: USA 2.6% and 1.9%, Russia 1.2% and 1.9%, China 6.2% and 6.0%, Brazil 0.8% and 2.4%.

Situation in the construction sector. Demand in the construction chemicals market will be influenced by the situation in the residential construction segment, where the materials offered by Selena are used to the highest degree. Data published by the Central Statistics Office (GUS) on 21 August 2019 for the seven months of 2019 point to a growth of 10.9% in house completions year-on-year. At the same time the number of construction permits increased by 1.5%, while the number of commenced housing investments increased by 3.6%. After three months of 2019, the construction and assembly production was by 6.6% higher year-on-year. The situation in the construction sector in Selena Group's other geographies, including in Western Europe, is also expected to be positive. The confidence index in construction, according to the GUS report of 22 August 2019, was on a positive level with a decreasing trend; the employment forecasts were positive but assessment of the order backlog was lower than in previous months. Due to the political and economic situation in Turkey and Brazil, it is currently difficult to forecast the development of the construction market in these countries.

Availability of financing. According to the results of the PENGAB banking business sentiment index published by the Polish Banks Association in May 2019, for 6-month projections 53% of the polled bankers pointed to an increase, 45% to stabilisation and merely 2% to a decline in the volume of housing loans. According to the latest AMRON-SARFIN Report published on 12 August 2019, the value of housing loans exceeded PLN 426 billion, up 1.3% compared to the first quarter of 2019; in Q2, banks granted more than 59 thousand mortgages. The value of new loan agreements granted in Q2 2019 is almost PLN 16.5 billion.

FX rates. According to the Thomson Reuters currency forecast of 6 September 2019, Q4 should see PLN to EUR rate at 4.32. In addition, the currency markets of Central and Eastern Europe are expected to weaken slightly. Towards the year-end, the following currency rates are expected (for the main markets): EUR/RUB 72.80; EUR/TRY 6.92 and EUR/UAH 30.88.

Credit risk. Due to the nature and size of its business, the Group's credit risk is subject to regular analysis for all the subsidiaries forming part of the Group. The Group enters into trading transactions with the companies that demonstrate a strong credit worthiness. The clients who are allowed trade credit are subjected to vetting procedures, as a result of which each client has an individually calculated credit limit and payment terms. Group companies regularly monitor the value and age structure of receivables and take collection measures to mitigate credit risk. Furthermore, selected companies of the Group entered into an agreement with Atradius Credit Insurance N.V.S.A. to insure their trade receivables.

Compared to the same period last year, the level of overdue receivables slightly improved. The share of overdue receivables in total receivables remains at a stable, moderate level for Selena Group.

Commodity prices. Until the end of 2019, prices of raw materials for foam production should remain stable, with a slight upward trend. Following the declines seen in the previous quarter, the prices of raw materials used for the production of silicones should stabilise in the following quarters. In the case of bitumen prices, the company expects their further growth.

5. Other information

5.1 Guarantees and off-balance sheet items

Either the Parent Company or any members of the Group did not give to third parties any guarantees whose value would exceed 10% of the Parent's equity.

Group companies provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. These are intragroup transactions. Such guarantees given to the subsidiaries by Selena FM S.A.

were described in detail in Note 21.1 of the unconsolidated financial statements of Selena FM S.A. for 2018. As at 30 June 2019, the result of the valuation of these guarantees according to IFRS 9 was immaterial.

5.2 Court disputes

At the date of approval of this report, no company from Selena Group was a party to any court proceedings where the claim value would exceed 10% of the Parent Company's equity.

In the period until the date of approval of this Management Board Report, neither Selena FM S.A. nor any company from its Group was party to any significant new court disputes, except for the ones listed below, already described in the annual consolidated financial statements of Selena Group for 2018 (Note 26.3).

Dispute between Carina Silicones sp. z o.o. and Bank Millennium S.A.

On 11 March 2013, Carina Silicones received from the District Court in Warsaw, XVI Economic Division, a copy of the claim for payment made by Millennium Bank, dated 4 January 2013. The bank stated its total claim amount at PLN 10,256 thousand. The claim relates to the purported conclusion of FX transactions between the company and the bank in 2008. Repeating the opinion of the Management Board of Carina Silicones, supported with legal opinions, the Management Board of the Parent sustains its opinion that the bank's claims are unwarranted. Based on the legal opinion received, the company responded to the claim and moved that it should be dismissed in its entirety. At the request of Carina Silicones Sp. z o.o. the case was suspended for the time of the proceedings to determine existence of the contested transaction.

At the request of Bank Millennium, in 2017 the Regional Court in Warsaw resumed the payment proceedings. During the first hearing on 14 March 2017, the attorney of Bank Millennium filed a motion to refer the case to mediation. The court decided to defer its decision regarding the motion.

As at the date of preparation of the Group's Management Board Report, the Regional Court continues examine evidence for the case. The company expects that the decision of the court of first instance should be taken in H2 2019 at the earliest. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

Administrative proceedings between Selena S.A. and the Customers Office

Selena S.A. (the "Company") is a party to customs proceedings relating to the imposition by the customs authorities of anti-dumping duty on the Company in connection with the import of mesh fabrics of glass fibres from Taiwan in 2011–2012.

Based on the report drafted by the European Anti-Fraud Office (OLAF) relating to the investigation held in Taiwan regarding the suspected circumvention of the anti-dumping duty imposed on the imports mesh fabrics, proceedings were initiated against Selena S.A. to determine the amount of the anti-dumping duty (the proceedings were initiated by the Head of the Customs Office in Gdynia on 24 February 2014, while on 27 May 2014 the Head of the Customs Office in Gdańsk initiated another 37 proceedings). As a result of these proceedings, a customs liability in the total amount of PLN 7,992.9 thousand was assessed for the Company.

Selena S.A. disagreed with the opinion of the customs authorities, and challenged it both before the customs authorities of the second instance and through complaints submitted to the Provincial Administrative Court (WSA) in Gdańsk. Despite the initially favorable decisions taken by the WSA, on 15 December 2016, the WSA in Gdańsk issued the first in a series of decisions unfavourable for the Company. Currently, in 19 cases in which the WSA ruled against Selena S.A., the Company filed cassation appeals to the Supreme Administrative Court. At the same time, the WSA decided to suspend a group of 13 other proceedings.

Regardless of the status of cases before the WSA in Gdańsk, so far Selena S.A. has paid about PLN 7.6 million in the customs liabilities (including in relation to the cases which have been suspended) and about PLN 700 thousand in respect of late interest.

5.3 Related party transactions

In the reporting period, the Parent Company did not enter into any material transactions with its related parties on non-arm's length basis. The material transactions between Selena FM and its subsidiaries were described in Note 22 to the condensed unconsolidated financial statements of Selena FM S.A. as at 30 June 2019.

5.4 Shareholders of the Parent

The table below shows distribution of share capital and voting power among significant shareholders of the Parent Company as at 30 June 2019.

Shareholder	Share types	Number of shares acquired	Share in registered capital	Number of votes	Share in votes at the AGM
AD Niva Sp. z o.o. *	Registered preference shares ***	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	5,763,000	25.24%	5,763,000	21.48%
Syrius Investments S.a.r.l.*	Bearer shares	8,050,000	35.25%	8,050,000	30.00%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,367,141	5.99%	1,367,141	5.09%

* entity controlled by Krzysztof Domarecki, President of the Management Board

**As at 7 July 2016

*** voting preference shares (2 votes per share)

5.5 Issue, redemption of repayment of non-equity and equity instruments

In the period covered by this report, Selena FM S.A. did not issue, redeem or repay any non-equity or equity securities.

5.6 Dividend declared or paid

On 27 May 2019, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2018 in a total amount of PLN 6,850,200, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 3 June 2019. The dividend was paid in two tranches on 5 June and 7 June 2019.

5.7 Shareholdings by executive and non-executive directors

The table below shows a summary of the shareholdings in the Parent Company by executive and non-executive directors as at the date of publication of this report.

Name	Role	Number of shares held	Nominal value per share (PLN)
AD Niva Sp. z o.o. *	-	9,763,000	488,150
Syrius Investments s.a.r.l.**	-	8,050,000	402,500

* entity controlled by Krzysztof Domarecki, President of the Management Board, through Syrius Investment s.a.r.l.

** entity controlled by Krzysztof Domarecki, President of the Management Board

5.8 Equity-based remuneration programmes

In H1 2019, no equity based remuneration programmes were in operation.

5.9 Audit and review of financial statements

On 13 March 2018, the Supervisory Board of Selena FM S.A. resolved to appoint PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. k. (formerly: PricewaterhouseCoopers Sp. z o.o.) as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2018, 2019 and 2020. The audit agreement was concluded on 23 April 2018.

MANAGEMENT BOARD'S ASSURANCE STATEMENT ON RELIABILITY OF THE FINANCIAL REPORT

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the interim condensed financial statements of Selena FM S.A. and the interim condensed consolidated financial statements of Selena Group FM for the period of 6 months ended 30 June 2019 and the comparable data have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena FM S.A. and Selena Group and their financial performance and that the Management Board's report on activities gives a true picture of the Company's and the Group's development, achievements and standing, including description of the key risks and threats.

Management Board President

Krzysztof Domarecki

Vice President for Sales

Dariusz Ciesielski

Vice President for Marketing

Christian Dölle

**Management Board Member for
Finance**

Jacek Michalak

**Management Board Member for
Operations**

Bogusław Mieszczak